

REPORT OF THE COMMISSION STAFF  
THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA

DOCKET NO. 2001-75-W  
DOWD WATER SYSTEM, INC.  
STEPHENSON'S LAKE SUBDIVISION

REPORT OF THE AUDIT DEPARTMENT  
THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA

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SYNOPSIS

Amount Requested----- \$10,800

Operating Margin:

Per Books----- (12.67%)

As Adjusted----- (136.42%)

After Proposed Increase----- 23.96%

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**DOWD WATER SYSTEM, INC.**  
**STEPHENSON'S LAKE SUBDIVISION**

ANALYSIS

The Audit Department Staff has performed a review of the Application of Dowd Water System Inc. (hereinafter referred to as the Company) along with certain of its accounting records relative to the Company's application to increase certain of its rates and charges in the Stephenson's Lake Subdivision under Docket No. 2001-75-W.

The Company is a water utility operating in the State of South Carolina in the County of Lexington. The Company provides water service to residential customers with its home office being located in Little Mountain, S.C.

The following is a summary of the Docket relative to the Company's most recent case which was an establishment of rates:

Date of Order	Effective Date	Docket Number	Order Number	Amount Granted
5-12-1982	5-12-1982	82-57-W	82-325	\$15.00 flat rate charge

In the present application, the Company requested additional revenues of \$10,800.

The Operating Margin was computed by the Staff to be (136.42%) after the effect of accounting and pro forma adjustments. Such Operating Margin increased to 23.96% after revenues were adjusted for the proposed increase of \$10,800.

The Staff's exhibits relative to the Company's application are as follows:

**EXHIBIT A: OPERATING EXPERIENCE AND OPERATING MARGIN**

Detailed in this Staff exhibit is the Company's Operating Experience and Operating Margins for the test year ended December 31, 2000, and the accounting and pro forma adjustments which are necessary to correct or normalize the Company's test year operations both before and after the effect of the requested increase.

Utilizing a per book loss of (\$570) and revenues of \$4,500 Staff computed an operating margin on per book operations of (12.67%). Accounting and pro forma adjustments increased the Operating Loss to (\$6,139) resulting in a decrease in the Operating Margin to (136.42%). After the Staff adjusted operations for the requested increase of \$10,800, the Company's Operating Margin increases to 23.96%.

**EXHIBIT A-1: EXPLANATION OF ACCOUNTING AND PRO FORMA  
ADJUSTMENTS**

Detailed in this exhibit are the Staff and Company's accounting and pro forma adjustments and each adjustment made necessary as a result of the proposed increase.

Dowd Water System, Inc.  
Stephenson's Lake Subdivision  
Operating Experience and Operating Margin  
Test Year Ended December 31, 2000

Description	(1) Per Books \$	(2) Accounting & Pro Forma Adjustments \$	(3) As Adjusted \$	(4) Proposed Increase \$	(5) After Proposed Increase \$
<b>Operating Revenue:</b>					
Service Revenue	4,500	0	4,500	10,800 (4)	15,300
<b>Total Operating Revenues</b>	<u>4,500</u>	<u>0</u>	<u>4,500</u>	<u>10,800</u>	<u>15,300</u>
Operating and Maintenance Expenses	4,740	5,585 (1)	10,325	0	10,325
General and Administrative Expenses	220	44 (2)	264	0	264
Depreciation & Amortization Expense	0	0	0	0	0
Taxes Other Than Income	110	(60) (3)	50	121 (5)	171
Income Taxes	0	0	0	874 (6)	874
<b>Total Operating Expenses</b>	<u>5,070</u>	<u>5,569</u>	<u>10,639</u>	<u>995</u>	<u>11,634</u>
<b>Net Income For Return</b>	<u>(570)</u>	<u>(5,569)</u>	<u>(6,139)</u>	<u>9,805</u>	<u>3,666</u>
<b>Operating Margin</b>	<u>-12.67%</u>		<u>-136.42%</u>		<u>23.96%</u>

NOTE: The Company had no interest expense during the test year.

Dowd Water System, Inc.  
Stephenson's Lake Subdivision  
Explanation of Accounting and Pro Forma Adjustments  
Test Year Ended December 31, 2000

Revenues and Expenses	(1)	(2)	(3)
Description	O&M Expenses	G&A Expense	Taxes Other Than Income
	\$	\$	\$

(1) Staff and Company propose to adjust testing fees for the effect of switching the responsibility to an outside contractor; effective April 1, 2001. Staff allocated cost to the Stephenson's Lake subdivision based on number of customers while the Company split the cost evenly between the Stephenson's Lake and Emerald Shores subdivisions, which are the two subdivisions covered under the contract. Total annual contract amount was \$13,236 of which 60.98% was allocated to Stephenson's Lake and 39.02% to Emerald Shores based on 25 customers in the Stephenson's Lake Subdivision and 16 customers in the Emerald Shores Subdivision. Staff then eliminated the Per Book amounts for testing fees in the amount of \$500, \$186 for chemicals and \$1,800 in operator fees. (A)

Per Staff	5,585
Per Company	4,132

(2) The Company proposes to eliminate the cost of repairing a door as being an extraordinary and nonrecurring cost. Staff considers this cost as being ordinary and recurring and therefore will not eliminate this expense. (A)

Per Staff	0
Per Company	(50)



Dowd Water System, Inc.  
Stephenson's Lake Subdivision  
Explanation of Accounting and Pro Forma Adjustments  
Test Year Ended December 31, 2000

Revenues and Expenses Description	(1)	(2)	(3)
	O&M Expenses \$	G&A Expense \$	Taxes Other Than Income \$
<p>(3) Staff and Company propose to amortize rate case expenses over three years. The Staff and Company are allocating one-third of this amount to Stephenson's Lake and one-third each to Emerald Shores and Isle of Pines subdivisions, which have establishment cases pending before this commission. Staff allocated the cost evenly based on the assumption that the time and expense to prepare each case would be approximately the same. (A)</p>			
Per Staff		44	
Per Company		44	
<p>(4) Staff and Company propose to true-up the gross receipts tax assessment imposed by the Public Service Commission. Staff and the Company's adjustment differed due to the use of a more up-to-date factor by the Staff. (A)</p>			
Per Staff			(60)
Per Company			(87)
Total Accounting and Pro Forma Adjustments - Revenues and Expenses - Per Staff	5,585	44	(60)

(A) - Adjustment is the responsibility of the Audit Department witness.  
(U) - Adjustment is the responsibility of the Utilities Department witness.

Dowd Water System, Inc.  
Stephenson's Lake Subdivision  
Explanation of Accounting and Pro Forma Adjustments  
Test Year Ended December 31, 2000

Proposed Increase	(4)	(5)	(6)
Description	Service Revenue	Taxes Other Than Income	Income Taxes
	\$	\$	\$
(5) The Staff and Company propose to record the effects of the proposed increase. The Staff's adjustment for "Taxes Other Than Income" differs from the Company's due to the use of a more up-to-date factor being used by the Staff. Income Taxes differ due to the differences in taxable income used by the Staff and Company to compute Income Taxes. (A&U)			
Per Staff	10,800	121	874
Per Company	10,800	54	1,181
Total Accounting and Pro Forma Adjustments - Proposed Increase - Per Staff	10,800	121	874

(A) - Adjustment is the responsibility of the Audit Department witness.  
(U) - Adjustment is the responsibility of the Utilities Department witness.

**REPORT OF THE  
UTILITIES DEPARTMENT  
PUBLIC SERVICE COMMISSION  
OF SOUTH CAROLINA**

**DOWD WATER SYSTEMS, INC.**

**DOCKET NO. 2001-75-W**

# **UTILITIES DEPARTMENT REPORT**

## **DOWD WATER SYSTEMS, INC.**

**DOCKET NO. 2001-75-W**

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**PART A  
UTILITIES DEPARTMENT  
EXHIBIT NO. 1**

**SUMMARY OF RATES AND CHARGES**

The present rates and charges for water service for Stephenson Lakes Subdivision were approved by Order No. 82-325, filed under Docket No. 82-57-W, dated May 12, 1982.

**Monthly Residential Rates**

Monthly Flat Rate.....\$ 15.00

**Proposed Rates**

Monthly Flat Rate.....\$ 51.00

Disconnect Fee.....\$ 90.00  
(\$75.00 contract cost, plus mailings and travel by owner \$15.00)

Reconnect Fee.....\$ 90.00  
(\$75.00 contract cost, plus mailings and travel by owner \$15.00)

**PART B**  
**UTILITIES DEPARTMENT**  
**EXHIBIT NO. 2**

**EFFECT OF PROPOSED RATES ON OPERATING REVENUE**

PRESENT REVENUE	PROPOSED REVENUE	AMOUNT OF INCREASE	% OF INCREASE
\$4,500	\$15,300	\$10,800	240%

25  
 13  
 125  
 25  
 75  
 125  
 375  
 375  
 750  
 375  
 750  
 1500

**PART D**  
**UTILITIES DEPARTMENT**  
**EXHIBIT NO. 4**

**BUSINESS OFFICE COMPLIANCE REVIEW REPORT**

UTILITY: Dowd Water Systems, Inc. INSPECTOR: Charles A Creech

OFFICE: \_\_\_\_\_ DATE: July 6, 2001

COMPANY REPRESENTATIVE: Sue Dowd

IN COMPLIANCE  
YES OR NO\*

- YES 1. Are all records and reports available for examination in accordance with R.103-710 and R.103-510?
- NO \* 2. Are complaint records maintained in accordance with R.103-716 and R.103-516?
- YES 3. Are the utility's rates, its rules and regulations, and its up-to-date maps and plans available for public inspection in accordance with R.103-730 and R.103-530?
- YES 4. Are procedures established to assure that every customer making a complaint is made aware that the utility is under the jurisdiction of the South Carolina Public Service Commission and that the customer has the right to register the complaint in accordance with R.103-730 and R.103-530?
- NO \* 5. Are deposits charged within the limits established by R.103-731 and R.103-531?
- NO \* 6. Are timely and accurate bills being rendered to customers in accordance with R.103-732 and R.103-532?
- NO \* 7. Are bill forms in accordance with R.103-732 and R.103-532?
- N/A 8. Are adjustments of bills handled in accordance with R.103-733 and R.103-533?
- YES 9. Is the policy for customer denial or discontinuance of service in accordance with R.103-735 and R.103-535?
- YES 10. Are notices sent to customers prior to termination in accordance with R.103-735 and R.103-535?
- YES 11. Are notices filed with the Commission of any violation of PSC or DHEC rules which affect service provided to its customers in accordance with R.103-714-C and R.103-514-C?

- YES 12. Does the utility have adequate means (Telephone, etc.) whereby each customer can contact the water and/or wastewater utility at all hours in cases of emergency or unscheduled interruptions of service in accordance with R.103-730 and R.103-530?
- YES 13. Are records kept of any condition resulting in any interruption of service affecting its entire system or major division, including a statement of time, duration, and cause of such an interruption in accordance with R.103-714 and R.103-514?
- YES 14. Has the utility advised the Commission, in accordance with R.103-712 and R.103-512 of the name, title, address and telephone number of the person who should be contacted in connection with:
- (a) General management duties?
  - (b) Customer relations (complaints)?
  - (c) Engineering operations?
  - (d) Meter tests and repairs?
  - (e) Emergencies during non-office hours?
- YES 15. Has the Company verified the maps on file with the Commission include all the service area of the Company?
- 25 16. How many customers does the Company have at present?
- YES 17. Does the Company have a current performance bond on file with the Commission? Amount of bond? \$10,000, updated when application filled.

\*A "NO" RESPONSE REQUIRES A NOTE IN THE COMMENT SECTION

**COMMENTS:**

# 2 - Mrs. Dowd was not aware she was required to maintain customer complaint records.

# 5 - No deposits are charged

# 6 - Bills are not sent to the customers on a monthly basis

# 7 - Bill forms do not comply with Rules & Regs



# WATER SYSTEM INSPECTION

UTILITY <u>Dowd Water Systems, Inc.</u>	INSPECTED BY <u>Charles A. Creech</u>	
SYSTEM <u>Stephenson's Lake</u>	DATE INSPECTED <u>July 6, 2001</u>	
	COMPANY REP <u>Mrs. Sue Dowd</u>	
TOTAL NUMBER OF WELL SITES <u>4</u>		
NUMBER OF WELLS NOT IN OPERATION <u>0</u>		
REASON FOR INOPERABLE WELLS _____		
PUMP HOUSES	YES <u>✓</u> NO _____	NUMBER <u>1</u>
ELECTRIC WIRING	ACCEPTABLE <u>✓</u>	FAULTY _____
EXPOSED PIPING	YES _____ NO <u>✓</u>	
LOCATION _____		
CHLORINATOR	YES <u>✓</u> NO _____	
OTHER CHEMICALS	YES _____ NO <u>✓</u>	
IN USE	YES _____ NO <u>✓</u>	
STORAGE	PRESSURE TANK <u>✓</u> NON-PRESSURE TANK _____	
	GROUND LEVEL <u>✓</u> OVERHEAD _____	
SIZE IN GALLONS	<u>17,000 &amp; 500</u>	
P.S.I. AT TANK	<u>60 80</u>	
METERS	YES _____ NO <u>✓</u>	
FIRE HYDRANTS	YES _____ NO <u>✓</u>	
AIR IN LINES	YES _____ NO <u>✓</u>	
SAND IN WATER	YES _____ NO <u>✓</u>	
CLARITY OF WATER	<u>Good</u>	
ODOR	<u>None</u>	
LEAKS	YES _____ NO <u>✓</u>	
LOCATION _____		
NEW CONSTRUCTION	YES <u>✓</u> NO _____	
HOUSES	YES <u>✓</u> NO _____	
UTILITY	YES _____ NO <u>✓</u>	
NATURE _____		
FREQUENCY CHECKED BY OPERATOR <u>3 times a week</u>		
APPROXIMATE NUMBER OF CUSTOMERS <u>25</u> CAPACITY OF SYSTEM <u>-----</u>		
LOCATION OF UTILITY OFFICE <u>77 Dowd Road, Prosperity, SC</u>		
LOCATION OF SYSTEM <u>Lakeside Drive, Rt. 3, Chapin, SC</u>		
SYSTEM APPROVED BY COMMISSION YES <u>✓</u> NO _____ DATE <u>5/12/82</u>		
IS SUBDIVISION PROVIDED SEWER BY THIS UTILITY? YES _____ NO <u>✓</u>		
BY WHOM? <u>Septic Tanks</u>		
OTHER COMMENTS _____		

**PART E**  
**UTILITIES DEPARTMENT**  
**EXHIBIT NO. 5**

On July 6, 2001, Staff inspected the facilities that provide water service to customers in Stephenson's Lake Subdivision.

This system consists of three wells that are interconnected and pump water into a 17,000 gallon ground level storage tank. There is also an additional stand-by well and a 500 gallon storage tank.

The large tank needs sand blasting and painting very badly. The weeds around the well house also need to be cut.

Staff checked pressures at several homes in different areas of the subdivision. The pressure was consistently 58 to 60 psi. The major concern of the customers was outsiders cutting the water lines and causing interruptions of service.

Since the filing of the Application and the sending of the Notice to the customers, we have not received any service complaints.